

T Transportation Committee

Meeting date: August 8, 2011

Council Meeting date: August 10, 2011

ADVISORY INFORMATION

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| Date: | August 3, 2011 |
| Subject: | Defer Regional Transit Capital Local Match Commitment to Potential CMAQ Projects |
| District(s), Member(s): | All |
| Policy/Legal Reference: | CIP, TPP / RSIP |
| Staff Prepared/Presented: | Arlene McCarthy, Director MTS (651-602-1754) Amy Vennewitz, Deputy Director MTS (651-602-1058) |
| Division/Department: | Metropolitan Transportation Services |

Proposed Action

That the Metropolitan Council not commit to providing regional transit capital (RTC) bonds as local match for Congestion Mitigation Air Quality (CMAQ) projects in advance of submittal to the 2011 Regional Solicitation process for funding in 2015 and 2016.

Background

The Transportation Advisory Board (TAB) conducts a competitive Regional Solicitation every two years to award certain federal funds allocated to the Twin Cities Metropolitan Area. Applications must acknowledge that a minimum 20% local funding match will be provided for a project and identify the expected funding source. A general statement that the applicant will seek RTC bond funds and commits to providing the local match from other sources if RTC is not available has been acceptable in past solicitations.

Prior to the 2009 Regional Solicitation, Council staff provided letters to project applicants committing RTC funds for each CMAQ project application submitted, recognizing that not all projects would be selected for funding. The 2009 Solicitation represented the first time that Council staff did not commit to provide the local match for all proposed projects as requested by project sponsors. This was in response to concern that some of the proposed CMAQ project applications did not necessarily align with regional expansion priorities and that if selected for CMAQ funding these projects should not be awarded RTC funds ahead of other identified regional priorities. It also reflected the uncertainty whether adequate RTC funds would be available for expansion projects in 2014 and 2015, the funding years for projects selected through the 2009 process.

Applications for the 2011 Regional Solicitation are due on August 22, 2011. Based on input from the transit providers, the following CMAQ applications will be submitted:

- \$8.5M Apple Valley Transit Station park-and-ride expansion (MVTA)
- \$0.5M Bike and Ride Amenities (MVTA)
- \$3.6M Hwy 169/Marshall Road Transit Station buses and demonstration transit service (Prior Lake/Shakopee)
- \$8.8M Pioneer Trail/Hennepin Town Road/Hwy 169 park-and-ride (SWT)
- \$2.6M Maple Plain Buses and Service (Metro Transit)
- \$8.8M Woodbury Theatre park-and-ride expansion (Metro Transit)
- \$6.3M 7th Street Limited Stop Buses & Service expansion (Metro Transit)
- \$6.6M Snelling Avenue Limited Stop Buses & Service expansion (Metro Transit)
- \$11.5M Chicago Ave Limited Stop Buses & Service expansion (Metro Transit)

- \$8.7M East 7th Street Limited Stop Buses & Service expansion (Metro Transit)

Rationale

CMAQ funding is restricted to transit expansion, transportation system management (TSM) and Travel Demand Management (TDM). Federal rules do allow the transfer of a portion of CMAQ funds to the STP category to provide for capital preservation of CMAQ investments; however, TAB has not adopted that approach.

There are three primary issues associated with committing RTC local match to future CMAQ projects:

1. Is a CMAQ project aligned with the Council's priorities for transit expansion?

- The primary criteria for evaluating and ranking CMAQ projects is reducing vehicle miles traveled and the subsequent benefits to air quality emissions and congestion mitigation. Lesser-weighted criteria include consistency with the Council's Regional Development Framework and progress toward affordable housing goals.
- A Regional Service Improvement Plan (RSIP) recommendation is anticipated in late 2011. The RSIP will identify service expansion priorities in the region for the next two to four years to guide regional operating and capital expansion investments. The 2009 Transportation Policy Plan (TPP) called for the RSIP to be developed. A RSIP Procedure was adopted by the Council in September 2010. Per this procedure, criteria and evaluation factors for prioritizing future service expansions include: estimated subsidy per passenger, passengers per in service hour, congestion mitigation, capital facility and runway coordination, benefits for the ADA community, service to minority and low-income populations, local support and innovation. The RSIP is being developed with participation by all regional transit providers.

2. Should projects be selected 4 to 5 years in advance?

- TAB's Regional Solicitation process results in projects being selected for federal funding that is not available for 4 to 5 years. This timing does not work particularly well for transit projects given the dynamics of the transit environment and other funding sources.
- The transit environment has been in a period of change that could not have been predicted 4 to 5 years ago when ridership was growing rapidly due to quickly escalating gas prices. Unemployment associated with the Great Recession resulted in ridership decreases which are now rebounding. And gas prices are influencing regional growth patterns which in turn impact travel patterns and transit service demand.
- Operating funding levels and ridership demands, which are difficult to predict years in advance, influence expansion decisions. For example, in 2010, the Council asked TAB to reassign two 2005 CMAQ grants totaling \$10.25M in federal funds for the purchase of 25 buses to instead purchase four light rail vehicles (LRVs). The two bus grants were set to expire in 2010. Operating funds were not available to expand bus service further; however, Hiawatha LRT was experiencing high demand with additional vehicles needed to create 3-car trains during peak periods. More LRVs will provide additional capacity on existing trips without requiring increased operating funding. TAB ultimately agreed to an exception to its process and approved the requested reassignment.

- Other unexpected funding sources become available that influence funding decisions. For example, in 2009, the region received a competitive \$133 million federal Urban Partnership Agreement (UPA) Grant which resulted in constructing several park-and-ride facilities as well as funding 27 expansion buses. This was another factor in not needing CMAQ expansion buses during the same time frame. Additionally, the 2008 Legislature authorized \$50 million in trunk highway bonds for transit improvements. Through a solicitation process in 2010, some of these funds were awarded to park-and-ride facilities that had scored lower in the 2009 CMAQ process for 2014/15 funding, but will be constructed earlier than the CMAQ projects because the trunk highway bond funds are available sooner.

3. Will the Council have adequate RTC for both preservation and expansion?

- RTC is a primary funding source for transit system preservation, primarily fleet replacement, but also technology and systems such as fare collection and facility maintenance. Over time, as the transit system has expanded its fleet and facilities, preservation needs have grown.
- Past CMAQ awards have increased the region's fleet with the expansion vehicles initially funded 80% federal CMAQ / 20% local. The first of those buses are scheduled for replacement in 2012 and the Council is expected to replace these buses with its existing funding sources. Past CMAQ awards have also funded the construction of park-and-rides which have ongoing operating and capital maintenance costs. These growing preservation needs are putting increasing pressure on existing funding sources which have not grown proportionally.
- Future federal transit capital funding levels are uncertain and will be determined by a future federal surface transportation bill. Potentially lower federal funding will put increased pressure on other sources such as RTC.
- RTC bonding must be authorized by the Legislature resulting in annual uncertainties as to the availability and level of RTC funding.

Funding

Staff recommends that the Council make RTC commitments through its annual Capital Improvement Program and Authorized Capital Program processes when it considers all regional transit needs and priorities. Staff also recommends that a Regional Capital Allocation Procedure be developed and adopted. This will allow all regional transit providers and stakeholders to understand how all capital funds are allocated so they can plan accordingly.

Known Support / Opposition

Suburban Transit Providers and TAB staff have been advised of this recommendation to not commit RTC funds for CMAQ local match at the time of project application to the Regional Solicitation. TAB staff have advised this action will not result in projects being disqualified as not complying with the 20% local match requirements. Council staff will report on any other comments at the August 8 Transportation Committee meeting.

Same week action by the Council is requested because the August 24 Council meeting is after the August 22 Regional Solicitation application deadline.